

#### From January to September 2003

#### Portucel Soporcel Group results affected by poor global economic activity

- Consolidated turnover of €755 million
- Net debt reduced by €29 million
- EBITDA of €194 million
- €10 million improvement in net financial results
- Net results of €32,8 million
- Non recurring items with €8 million negative impact on results

The worldwide fall in economic activity, impacting negatively on demand for pulp and paper products, and consequently on prices, was a determinant factor for the Group 's fall in results in the first 9 months of 2003.

Net consolidated results for this period were €32,8 million. The comparability of these results with the ones achieved in the same period last year is negatively affected by non recurring items of approximately €8 million.

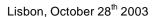
On the one hand, the forest fires, which affected Portugal during this summer, damaged an area of approximately 15 thousand ha of the Group's own forest. Even though there are still some impacts that have not been quantified, the Group's results already include a €2,7 million loss resulting from these fires.

On the other hand, non recurring items also include the impact of redundancy costs as well as costs associated with an increase in the Group's Pension Funds responsibilities, which were not sufficiently compensated by its income. These two items amounted to  $\leq 2,1$  and  $\leq 3,3$  million respectively, of which  $\leq 1$  and  $\leq 1,9$  million in the third quarter.

Operating results in these first 9 months of 2003 registered a decrease of approximately € 59 million year on year, an amount similar to the decrease registered in the Group's turnover, showing that global operating costs performed positively in this period.

#### Paper accounts for 74% of global turnover

Total consolidated sales in the period amounted to €754,9 million, compared to €814,4 million attained in the first 9 months of 2002. Paper business accounted for €557 million, 74% of total turnover.





Paper sales volume from January to September grew approximately 2,5% year on year, with 680 thousand tonnes sold.

In terms of pulp, sales in volume totalled 439 thousand tonnes, 6,8% less then in the same period last year .

#### 3<sup>rd</sup> quarter: product mix improvement

In this 3<sup>rd</sup> quarter, consolidated sales totalled €238,5 million, 6,5% less than in the same quarter of 2002.

Also in this quarter and in terms of the market for paper products, deliveries from European producers to Europe fell 5% when compared to the 3<sup>rd</sup> quarter of 2002. Nevertheless, Group sales to Europe fell only 3%, being noteworthy an improvement in product mix, translated into an 8% growth in sheeted paper.

As a result of a growing penetration into the North American market, the Group's global sales volume grew 12% in this quarter, sustained by a clear mix improvement, with a 19% growth in sheeted products which represented 77% of paper sales (72% in 2002).

#### Lower paper and pulp prices

In this negative environment, average office paper prices in the European market registered a 9% fall, in line with the Group's price development, while in terms of graphic papers average prices in Europe fell 7%, versus a 5% fall in the Group.

The adverse market conditions in the pulp business had also a negative impact on prices, with average sale price for pulp within the Group experiencing a 16% decrease in this 3<sup>rd</sup> quarter, mainly resulting from the weakness of the dollar versus the Euro.

Due to the weak environment in paper markets, the Group's BEKP order book reflected the low level of orders at its customers, especially in July.

#### **EBITDA** margin substantially better than industry average

In the first 9 months of the year, Portucel Soporcel Group generated an EBITDA of € 194 million and a cash flow of € 144 million, which compares with € 257 million and € 182 million respectively in the same period last year.

The EBITDA / sales margin was 26%, comparing very favourably with the industry average.



Lisbon, October 28<sup>th</sup> 2003

Financial results at the end of September 2003 showed a €10 million improvement in a year on year basis.

In the period ended in September 2003, net debt was reduced by approximately €29,3 million, despite investments totalling € 88 million. At the end of this period, net debt stood at €989 million.

#### **Future perspectives**

Perspectives for the nearby future continue to hold a high degree of uncertainty, with the industry market conditions being dependent on how economic conditions will develop.

As such, significant changes in demand are not expected until the end of the year, while the Group believes that a progressive improvement will take place during 2004.

The Company will carefully follow the market and will adopt the more adequate measures in order to maintain its efficiency and competitiveness.



### grupo Portucel Soporcel

#### **KEY INDICATORS**

(Values in thousand €, except if otherwise indicated)	9 months	9 months	Change
(	2003	2002	(%)
Total Sales	754 974	814 379	-7%
Operating Results	86 441	145 399	-41%
Financial Results	-32 698	-42 435	-23%
Results before taxes	50 352	104 010	-52%
Net Results before non recurring items	40 820	71 332	-29%
Net Results *	32 820	71 332	-54%
EBITDA	194 241	257 291	-25%
EBITDA / Sales	26%	32%	
Cash flow	144 011	182 179	-21%
Total Production (000 tons)			
Pulp	899.865	913 756	-1,5%
Paper	691.957	682 630	+1,4%
Quantities Sold (000 tons)			
Pulp	438.948	471.225	-6,8%
Paper	679.814	663.369	+2,5%
Change on average pulp price (base 100)	91	100	
Change on average paper price (base 100)	94	100	

<sup>\*</sup> net results after deducting minority interests



## PORTUCEL - EMPRESA PRODUTORA DE PASTA E PAPEL, S A (SOCIEDADE ABERTA) CONSOLIDATED BALANCE SHEET AS OF SEPTEMBER $30^{\rm th}$ 2003

(Amounts stated in Euro)

ASSETS         Gross meths         Opportunition and profession.         Net market         Needs market           WEED ASSETS         Seeds market         3879170125         3879170125         584,8510         34,949,125         34,949,125         38,949,120,120         38,949,120         38,949,120         38,949,120         38,949,120         38,949,120         38,949,120         38,949,120         38,949,120         38,949,120	Other treasury applications  Banks and cash: Banks Cash  Accruals and deferrals Accrued income	3.500.000,00 35.601.183,47 42.012,49 35.643.195,96 9.154.168,22 38.923.958,42	0,00	3.500.000,00 35.601.183,47 42.012,49 35.643.195,96 9.154.168,22 38.923.958,42	0,00 0,00 10.384.650,37 50.633,46 10.435.283,83 6.811.716,20 28.264.746,32 35.076.462,52
ASSETS         Gross and profession and development specimens.         Security 1972/25/27         39/31/31/32         Continue of the profession and profession and profession and profession and profession and development specimens.         419/31/32/32         39/31/31/32         200/31/32/32         400/31/31/32 <t< th=""><th>Other treasury applications  Banks and cash: Banks Cash  Accruals and deferrals Accrued income</th><th>3.500.000,00 35.601.183,47 42.012,49 35.643.195,96</th><th></th><th>3.500.000,00 35.601.183,47 42.012,49 35.643.195,96 9.154.168,22</th><th>0,00 10.384.650,37 50.633,46 10.435.283,83 6.811.716,20</th></t<>	Other treasury applications  Banks and cash: Banks Cash  Accruals and deferrals Accrued income	3.500.000,00 35.601.183,47 42.012,49 35.643.195,96		3.500.000,00 35.601.183,47 42.012,49 35.643.195,96 9.154.168,22	0,00 10.384.650,37 50.633,46 10.435.283,83 6.811.716,20
ASSETS         Gross and profession and development specimens.         Security 1972/25/27         39/31/31/32         Continue of the profession and profession and profession and profession and profession and development specimens.         419/31/32/32         39/31/31/32         200/31/32/32         400/31/31/32 <t< td=""><td>Other treasury applications  Banks and cash: Banks Cash  Accruals and deferrals Accrued income</td><td>3.500.000,00 35.601.183,47 42.012,49 35.643.195,96</td><td></td><td>3.500.000,00 35.601.183,47 42.012,49 35.643.195,96 9.154.168,22</td><td>0,00 10.384.650,37 50.633,46 10.435.283,83 6.811.716,20</td></t<>	Other treasury applications  Banks and cash: Banks Cash  Accruals and deferrals Accrued income	3.500.000,00 35.601.183,47 42.012,49 35.643.195,96		3.500.000,00 35.601.183,47 42.012,49 35.643.195,96 9.154.168,22	0,00 10.384.650,37 50.633,46 10.435.283,83 6.811.716,20
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ASSETS (	Other treasury applications  Banks and cash: Banks	3.500.000,00 35.601.183,47		<b>3.500.000,00</b> 35.601.183,47	<b>0,00</b> 10.384.650,37
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ASSETS         Gross baseds and provisions assets assets assets         Assets assets           FIXED ASSETS: Interagible assets:         397.28.24.77         38.79.10.38.2         500.490.90         5.44.991.25.11.11.11.11.11.11.11.11.11.11.11.11.11					2.22
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ASSETS         Organization assets and provisions assets assets assets         Net assets assets         Assets and provisions assets         Assets and provisions assets         Assets and provisions assets         Assets and provisions assets         Assets and provision expenses         38728254.72         38771738.28         998.499.99         594.851.28         Assets and and evel evel provisions assets as a section of provisions as a section of pr					2.000.020,04
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Section   Sect	• •		67.786,00		13.356.189,64
Section   Sect	Other shareholders			0,00	0,00
Section   Sect	·	3,00			0,00
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ASSETS  FIXED ASSETS:  Incorporation expenses  Incorpo			0,00		209.422.121,04
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ASSETS   Agross   Depreciation   Net and provisions   Assets   Assets   FIXED ASSETS: Intrangible assets   Intrangible assets   Intrangible assets   Intrangible assets   Asse	navanoes to suppliers of Inventories		50.250,41		178.560.221,44
ASSETS         Gross         Depreciation and provisions         Net assets         Net assets           FIXED ASSETS:         Interruptive assets         Interruptive assets         Interruptive assets         Interruptive assets         938,798,284,72         38,791,783,82         936,490,90         5,344,951,20         10,275,767,47         10,275,767,47         10,275,767,47         10,275,767,47         10,275,767,47         10,275,767,47         10,275,767,47         10,275,767,47         10,275,767,47         10,275,767,47         10,281,199         28,519,49         1,675,767,47         10,275,767,47         10,275,767,47         10,281,199         28,519,49         1,675,767,47         10,275,767,47         10,275,767,47         10,281,199         28,519,49         1,675,275,77,47         38,102,705,77         38,102,995,87         10,200,700         20,000					
ASSETS	· · · · · · · · · · · · · · · · · · ·		25.197,51		43.021.296,17
Page	·				630.073,72
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Page	OUDDENT ASSETS	249.148.426,33	0,00	249.148.426,33	282.470.357,63
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ASSETS  FIXED ASSETS: Intangible assets: Incorporation expenses  Research and development expenses  139.728.254,72 38.791.763,82 936.490,90 5.344.951.20 38.791.763,82 936.490,90 5.344.951.20 38.791.763,82 936.490,90 5.344.951.20 38.791.763,82 936.490,90 5.344.951.20 38.791.763,82 936.490,90 5.344.951.20 38.791.763,82 936.490,90 5.344.951.20 38.791.763,82 936.490,90 5.344.951.20 38.791.763,82 936.490,90 5.344.951.20 38.791.763,82 936.290,90 5.344.951.20 38.791.763,82 936.290,90 5.344.951.20 38.791.763,82 936.290,90 5.344.951.20 38.791.763,82 936.290,90 5.344.951.20 38.791.763,82 939.80 10.275.767.42 38.291.391.20 93.291	Financial investments:			0.700.210,02	00.002.700,04
ASSETS   Gross   Depreciation   Net   assets   Assets		2.855 893 009 04	1.580.459 795 22	1.275.433 213 82	1,283 302 783 04
ASSETS   Gross   Depreciation   Net   assets   Assets	Advances to suppliers of fixed assets	37.844.279,34		37.844.279,34	4.851.076,45
ASSETS   Gross   Depreciation   Net   assets	. •	118.535.146,71		118.535.146,71	90.303.583,40
ASSETS  Gross assets Depreciation and provisions assets assets  FIXED ASSETS:  Intangible assets:  Incorporation expenses 39.728.254,72 38.791.763,82 936.490,90 5.344.951,20 78.745,40 10.275.767,40					3.371.157,11
ASSETS	• •				
ASSETS         Gross assets         Depreciation and provisions         Net assets         Net assets           FIXED ASSETS:         Intrangible assets:         Intrangible assets:           Incorporation expenses         39.728.254,72         38.791.763,82         936.490,90         5.344.951,27           Research and development expenses         43.569.567,95         36.239.628,15         7.329.939,80         10.275.767,43           Industrial property and other rights         2.106.663,83         2.103.811,99         2.851,84         -106.758,32           Assignment         428.132.253,56         47.094.547,85         381.037.705,71         398.162.995,83           Intangible assets in progress         9.910.747,22         9.910.747,22         9.910.747,22         9.910.747,22         8.209.706,07           Advances to suppliers of intangible assets         Tangible fixed assets:           Land and natural resources         119.248.781,52         152.011,91         119.096.769,61         134.510.199,61           Buildings and other constructions         363.292.919,59         167.312.121,51					458.359,94
ASSETS         Gross assets         Depreciation and provisions         Net assets         Net assets           FIXED ASSETS:         Intrangible assets:         Incorporation expenses         39.728.254,72         38.791.763,82         936.490,90         5.344.951,20           Research and development expenses         43.569.567,95         36.239.628,15         7.329.393,80         10.275.767,43           Industrial property and other rights         2.106.663,83         2.103.811,99         2.851,84         -106.758,32           Assignment         428.132.253,56         47.094.547,85         381.037.705,71         398.162.995,83           Intangible assets in progress         9.910.747,22         9.910.747,22         8.209.706,07           Advances to suppliers of intangible assets         7.32447.487,28         124.229.751,81         399.217.735,47         421.886.662,21           Tangible fixed assets:         Land and natural resources         119.248.781,52         152.011,91         119.096.769,61         134.510.199,61           Buildings and other constructions         363.292.919,59	·				14.928.795,40
ASSETS         Gross assets         Depreciation and provisions         Net assets         Net assets           FIXED ASSETS:         Intrangible assets:         Incorporation expenses         39.728.254,72         38.791.763,82         936.490,90         5.344.951,20           Research and development expenses         43.569.567,95         36.239.628,15         7.329.939,80         10.275.767,45           Industrial property and other rights         2.106.663,83         2.103.811,99         2.851,84         -106.758,32           Assignment         428.132.253,56         47.094.547,85         381.037.705,71         398.162.995,83           Intangible assets in progress         9.910.747,22         9.910.747,22         9.910.747,22         8.209.706,07           Advances to suppliers of intangible assets         523.447.487,28         124.229.751,81         399.217.735,47         421.886.662,24           Tangible fixed assets:         Land and natural resources         119.248.781,52         152.011,91         119.096.769,61         134.510.199,61	Machinery and equipment	2.135.171.932,23		782.344.209,93	821.205.837,87
ASSETS Gross Depreciation and provisions assets assets assets  FIXED ASSETS:  Intangible assets:  Incorporation expenses 93.728.254,72 93.729.254,72 936.490,90 5.344.951,20 936.490,90 5.344.951,20 936.490,90 9					207.523.430,85
ASSETS Gross Depreciation and provisions assets assets  FIXED ASSETS: Intangible assets: Incorporation expenses 39.728.254,72 38.791.763,82 936.490,90 5.344.951,20 Research and development expenses 43.569.567,95 36.239.628,15 7.329.939,80 10.275.767,43 Industrial property and other rights 21.06.663,83 2.103.811,99 2.851,84 -106.758,32 Assignment 428.132.253,56 47.094.547,85 381.037.705,71 398.162.995,83 Intangible assets in progress 9.910.747,22 9.910.747,22 9.910.747,22 8.209.706,07 Advances to suppliers of intangible assets	•	119 248 781 52	152 011 91	119 096 769 61	134 510 199 61
ASSETS Gross Depreciation Alexander Depreciation assets and provisions assets assets  FIXED ASSETS: Intangible assets:  Incorporation expenses 39.728.254,72 38.791.763,82 936.490,90 5.344.951.20 8.20 8.20 8.20 8.20 8.20 8.20 8.20 8	Tangible fived exects:	523.447.487,28	124.229.751,81	399.217.735,47	421.886.662,21
ASSETS         Gross assets         Depreciation assets         Net assets         Net assets           FIXED ASSETS:         Interpretation expenses:         Interpretation expenses         39.728.254,72         38.791.763,82         936.490,90         5.344.951,20           Research and development expenses         43.569.567,95         36.239.628,15         7.329.939,80         10.275.767,43           Industrial property and other rights         2.106.663,83         2.103.811,99         2.851,84         -106.758,32           Assignment         428.132.253,56         47.094.547,85         381.037.705,71         398.162.995,83           Intangible assets in progress         9.910.747,22         9.910.747,22         9.910.747,22         8.209.706,07					
ASSETS         Gross assets         Depreciation assets         Net assets         Net assets           FIXED ASSETS:         Intrangible assets:         Incorporation expenses         39.728.254,72         38.791.763,82         936.490,90         5.344.951,20           Research and development expenses         43.569.567,95         36.239.628,15         7.329.939,80         10.275.767,42           Industrial property and other rights         2.106.663,83         2.103.811,99         2.851,84         -106.758,32           Assignment         428.132.253,56         47.094.547,85         381.037.705,71         398.162.995,83		•			0,00
ASSETS         Gross assets         Depreciation assets         Net assets         Net assets           FIXED ASSETS:         Intrangible assets:         Incorporation expenses         39.728.254,72         38.791.763,82         936.490,90         5.344.951,20           Research and development expenses         43.569.567,95         36.239.628,15         7.329.939,80         10.275.767,42           Industrial property and other rights         2.106.663,83         2.103.811,99         2.851,84         -106.758,32	•		47.00.40.047		8.209.706,07
ASSETS         Gross assets         Depreciation assets         Net assets         Net assets           FIXED ASSETS:         Intangible assets:         Incorporation expenses         39.728.254.72         38.791.763.82         936.490.90         5.344.951.20           Research and development expenses         43.569.567,95         36.239.628,15         7.329.939,80         10.275.767.43	The state of the s				
ASSETS  Gross Depreciation Net Net assets and provisions assets assets  FIXED ASSETS: Intangible assets:					10.275.767,43
ASSETS Gross Depreciation Net Net assets and provisions assets assets  FIXED ASSETS:	Incorporation expenses	39.728.254,72	38.791.763,82	936.490,90	5.344.951,20
ASSETS Gross Depreciation Net Net assets and provisions assets assets					
ASSETS Gross Depreciation Net Net	FIXED ASSETS:	assets	and provisions	assets	assets
			•		
2003 2002	ASSETS	_	2003		2002



## PORTUCEL - EMPRESA PRODUTORA DE PASTA E PAPEL, S A (SOCIEDADE ABERTA) CONSOLIDATED BALANCE SHEET AS OF SEPTEMBER 30<sup>th</sup> 2003

(Amounts stated in Euro)

EQUITY AND LIABILITIES	2003	2002	
EQUITY:			
Share capital	767.500.000,00	767.500.000,00	
Own shares - Nominal value	-60.500,00	-60.500,00	
Own shares - Discounts and premiums	6.820,87	6.820,87	
Adjustments in investments in affiliated and associated companies	-550.199,32	-550.199,02	
Revaluation reserve	38.450.314,14	38.450.314,14	
Legal reserve	27.274.919,60	17.796.477,76	
Statutory reserve	37.775.248,88	29.261.625,18	
Other reserve	-3.021.231,34	-3.071.241,05	
Retained earnings	168.657.433,42	121.336.479,52	
Net income for the year	32.819.944,73	71.332.277,45	
Total equity	1.068.852.750,98	1.042.002.054,85	
MINORITY INTERESTS	0,00	78.354.962,88	
LIABILITIES			
PROVISIONS FOR RISKS AND CHARGES			
Provisions for risks and charges	4.755.052,14	6.166.470,93	
	4.755.052,14	6.166.470,93	
MEDIUM AND LONG - TERM LIABILITIES:			
Bank loans	884.157.564,43	897.130.571,52	
Non-convertible bonds	0,00	0,00	
Accounts payable to suppliers of fixed assets	2.330.995,46	7.469.778,53	
Other creditors	20.079,94	0,00	
	886.508.639,83	904.600.350,05	
Dívidas a terceiros - Curto prazo:			
Non-convertible bonds	0,00	0,00	
Bank loans	94.950.872,37	75.736.858,97	
Advances from sales	154.493,27	434.204,00	
Accounts payable to suppliers	76.020.956,45	89.371.796,01	
Suppliers - invoices pending verification	25.905.748,62	31.568.307,29	
Group companies	42.397.931,48	72.970.148,36	
Other shareholders (partners)	1.258,88	1.258,88	
Advances from customers	0,00	5.882,36	
Other loans	0,00	35.604,61	
Accounts payable to suppliers of fixed assets	70.675.479,46	12.028.001,42	
Public entities Other creditors	4.523.776,08 3.515.931,84	38.796.382,02 2.532.682,08	
Other creditors	3.313.931,04	2.332.062,06	
ACCRUED COSTS AND DEFERRED INCOME:	318.146.448,45	323.481.126,00	
Accrued costs	146.516.127,61	140.454.733,35	
Deferred income	18.069.230,75	16.085.266,06	
20.004 11.001110	164.585.358,36	156.539.999,41	
Total liabilities	1.373.995.498,78	1.390.787.946,39	
Total equity, minory interests and liabilities	2.442.848.249,76	2.511.144.964,12	



# PORTUCEL - EMPRESA PRODUTORA DE PASTA E PAPEL , SA (SOCIEDADE ABERTA) CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED ON SEPTEMBER 30<sup>th</sup> 2003 (Amounts stated in Euro)

(Amounts stated in Euro)					
EVENION			2003		2002
EXPENSES					
Cost of materials consum	ed		283 226 186		300 626 829
External services and sup			190 401 722		168 297 658
Payroll expenses:	p65		.00 .01 .22		.00 20. 000
Salaries and wages		52 742 147		50 311 785	
Social charges		23 243 025	75 985 172	27 973 316	78 285 100
Depreciation and amortisa	ation		110 931 479		110 846 676
Provisions			259 546		600 079
Taxes			2 168 266		1 606 608
Other operating costs			8 332 391		8 491 347
1 0	(A)		671 304 763		668 754 298
Losses in group and asso			11 709		215 003
Interest and similar costs:					
Related to group compa	anies	9 270 681		12 361 234	
Others		42 062 411	51 333 092	42 237 978	54 599 212
	(C)		722 649 565		723 568 513
Extraordinary expenses	,		12 879 212		6 821 736
	(E)		735 528 777		730 390 249
Income tax			17 532 275		33 353 028
	(G)		753 061 052		763 743 278
Net result for the period		32 819 945		71 332 277	
Minority interests		0_	32 819 945	- 675 738 <u> </u>	70 656 539
		=	785 880 997	<del></del>	834 399 817
			0000		2222
INCOME			2003		2002
Sales		745 330 944		809 325 613	
Services rendered		9 642 678	754 973 621	5 053 016	814 378 629
Variation in production		9 042 070	- 4 103 199	5 055 0 16	- 2 996 656
Own work for the Compar	nv		3 930 094		719 444
Supplementary income	ıy	2 055 157	3 330 034	1 603 776	713 444
Operating subsidies		373 318		114 332	
Other operating income		517 086	2 945 562	333 683	2 051 790
Other operating moonie	(B)	317 000	757 746 077	000 000	814 153 208
Gains in group and assoc		0		0	
Income from share capita	· ·	614 504		613 095	
·	in shares and other financial	investments			
Related to affiliated con	npanies	0		0	
Others	•	272 302		183 302	
Other interest and similar	income:				
Related to affiliated con	npanies	5 947 303		4 453 046	
Others		11 812 797	18 646 906	7 129 968	12 379 410
	(D)		776 392 984		826 532 618
Extraordinary income			9 488 013		7 867 199
	(F)	_	785 880 996		834 399 817
		_			
Operating results:		(B) - (A)	86 441 315		145 398 910
Financial results:		(D - B) - (C - A)	- 32 697 895		- 42 434 806
Current results:		(D) - (C)	53 743 419		102 964 104
	x and minority interests:	(F) - (E)	50 352 219		104 009 567
Consolidated net result		(F) - (G)	32 819 945		70 656 539
Net result after minority	interests:		32 819 945		71 332 277